

PROVIDING FOR THE CONSIDERATION OF H.R. 3

*Family Choice & Child Care Improvement Act of 1990*

MARCH 28, 1990.—Referred to the House Calendar and ordered to be printed

Mr. FROST, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 368]

The Committee on Rules, having had under consideration House Resolution 368, by nonrecord vote, report the same to the House with the recommendation that the resolution do pass.

The following are the amendments made in order under House Resolution 368.

1. THE AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY REPRESENTATIVE STENHOLM OF TEXAS, TO BE DEBATABLE FOR 1 HOUR, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPOSER OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Family Choice and Child Care Improvement Act of 1990".

TITLE I—EXPANSION OF HEAD START

SEC. 101. DEFINITION.

Section 637 of the Head Start Act (42 U.S.C. 9832) is amended by adding at the end the following:

"(4) The term 'adjusted appropriation' means the amount appropriated under section 639(a) for the preceding fiscal year as adjusted to reflect the percentage change in the Consumer Price Index For All Urban Consumers, issued by the Bureau of Labor Statistics, during the 1-year period ending June 30 immediately preceding the fiscal year with respect to which an authorization of appropriations is being determined under section 639(b)(1)."

# SEC. 102. AUTHORITY TO PROVIDE CHILD CARE SERVICES.

Section 638(a) of the Head Start Act (42 U.S.C. 9833(a)) is amended—

- (1) by striking “; and (2)” and inserting “, (2)”;
- (2) by inserting the following before the period at the end: “, and (3) may provide developmentally appropriate child care services throughout the full calendar year to children who are eligible under section 645 to participate in, and are participating in, Head Start programs so that such children receive full-working-day services if such child care services are provided to meet the needs of parents each of whom is working, attending a job training or educational program, or seeking employment (but may not use for this purpose funds appropriated under this subchapter other than funds made available pursuant to section 639(b)(2))”.

# SEC. 103. AUTHORIZATION OF APPROPRIATIONS.

Section 639 of the Head Start Act (42 U.S.C. 9834) is amended—

- (1) by inserting “(a)” after “SEC. 639.”;
- (2) by inserting “(other than the provisions relating to child care services referred to in section 638(a)(3))” after “subchapter”;
- (3) by adding at the end the following:

“(b)(1) If for fiscal year 1991, 1992, 1993, 1994, or 1995 the amount appropriated under subsection (a) exceeds the adjusted appropriation for such fiscal year, then there is authorized to be appropriated, in addition to any amount authorized by subsection (a) to be appropriated, to provide Head Start services under paragraphs (1), (2), and (3) of section 638—

“(A) \$600,000,000 in the case of fiscal year 1991; or

“(B) such sums as may be necessary in the case of fiscal year 1992, 1993, 1994, or 1995.

“(2) Not more than fifty percent of the amount received by a Head Start agency from funds appropriated under paragraph (1) for any fiscal year shall be available to provide child care services under section 638(a)(3).”.

# SEC. 104. HEAD START RESEARCH STUDY.

(a) **RESEARCH AND REPORTS.**—After consulting with experts in research design and preschool programs, the Secretary of Health and Human Services shall conduct a longitudinal research study on the effects of Head Start on children’s development. Such study, which shall be conducted on a nationally representative sample, shall include information on school grades, grade retention, special education placement, high school graduation, delinquency, teenage pregnancy, welfare participation, college attendance, employment, and similar outcomes deemed appropriate by the Secretary. Such sample shall be followed for at least 20 years, during which time the Secretary shall make periodic reports to the Congress on the study’s findings. Such study shall begin not later than September of 1991.

(b) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated to carry out subsection (a) \$2,000,000 for each of the fiscal years 1991 through 2011.

## TITLE II—SMALL BUSINESS INVOLVEMENT IN MEETING EMPLOYEE CHILD CARE NEEDS

### SEC. 201. ESTABLISHMENT OF GRANT PROGRAM.

The Secretary of Health and Human Services shall establish a program to make grants to eligible small businesses—

- (1) to pay start-up costs incurred to provide child care services; or
- (2) to provide additional child care services; needed by the employees of such businesses.

### SEC. 202. ELIGIBLE SMALL BUSINESSES.

To be eligible to receive a grant under section 201, a small business shall submit to the Secretary an application in accordance with section 203.

### SEC. 203. APPLICATION.

The application required by section 202 shall be submitted by a small business (separately or jointly with 1 or more other small businesses) at such time, in such form, and containing such information as the Secretary may require by rule, except that such application shall contain—

(1) an assurance that such small business shall expend, for the purpose for which such grant is made, an amount not less than 300 percent of the amount of such grant;

(2) an assurance that such small business will expend such grant for the use specified in section 201, as the case may be;

(3) an assurance that if the employees of such small business do not require all the child care services for which such grant and the funds required by paragraph (1) are to be expended by such small business, the excess of such child care services shall be made available to families in the community in which such small business is located;

(4) an assurance that such small business will employ strategies to provide such child care services at affordable rates, and on an equitable basis, to low- and moderate-income employees; and

(5) an assurance that the provider of such child care services will comply with all State and local licensing requirements applicable to such provider.

### SEC. 204. DEFINITIONS.

As used in the title:

(1) **SMALL BUSINESS.**—The term “small business” means a person that—

(A) is engaged in commerce and whose primary activity is not providing child care services; and

(B) has fewer than 50 full-time (or the equivalent) employees.

(2) **SECRETARY.**—The term “Secretary” means the Secretary of Health and Human Services.

### SEC. 205 AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated \$25,000,000 for each of the fiscal years 1991, 1992, 1993, 1994, and 1995 to carry out this title.



### TITLE III—BLOCK GRANT CHILD CARE PROVISIONS

#### SEC. 301. EXPANDED TITLE XX CHILD CARE.

(a) IN GENERAL.—Title XX of the Social Security Act (42 U.S.C. 1397 et seq.) is amended—

(1) by inserting after the title heading the following:

#### “SEC. 2000. LIMITATION ON ENTITLEMENT.

“For payments to which States are entitled under this title, there shall be available to the Secretary \$3,250,000,000 for each fiscal year after fiscal year 1990, of which \$450,000,000 shall be for payments under section 2007,”; and

(2) by adding at the end the following:

#### “SEC. 2007. CHILD CARE.

“(a) PAYMENTS TO STATES FROM SPECIAL ALLOTMENTS.—

“(1) ENTITLEMENT.—Each State which is eligible for funds under this section for a fiscal year shall be entitled to payments in an aggregate amount equal to the special allotment of the State for the fiscal year.

“(2) PAYMENTS.—The Secretary shall provide funds to each State which is eligible for funds under the section for a fiscal year from the special allotment of the State for the fiscal year, in accordance with section 6503 of title 31, United States Code.

“(3) SPECIAL ALLOTMENTS.—The special allotment of each State for any fiscal year equals the amount that bears the same ratio to the amount specified in section 2000 for payments under this section for such fiscal year, as the number of children who have not attained the age of 13 years residing with families in the State bears to the total number of children who have not attained the age of 13 years residing with families in all States, determined on the basis of the most recent data available from the Department of Commerce at the time the special allotment is determined.

“(4) EXPENDITURE OF FUNDS BY STATES.—Except as provided in paragraph (5)(A), each State which receives funds under this section for any fiscal year shall expend such funds in such fiscal year or in the succeeding fiscal year.

“(5) REDISTRIBUTION OF UNEXPENDED SPECIAL ALLOTMENTS.

“(A) REMITTANCE TO THE SECRETARY.—Each State which receives funds under this section for a fiscal year shall remit to the Secretary that part of such funds which the State intends not to, or does not, expend in such fiscal year or in the succeeding fiscal year.

“(B) REDISTRIBUTION.—The Secretary shall increase the special allotment of each State not remitting any amount to the Secretary for a fiscal year pursuant to subparagraph (A) by an amount equal to—

“(i) the aggregate of the amounts so remitted; multiplied by

“(ii) the adjusted State share for such fiscal year.

“(C) ADJUSTED STATE SHARE.—As used in subparagraph (B)(ii), the term ‘adjusted State share’ means, with respect to a fiscal year—

"(i) the special allotment of the State for such fiscal year (before any increase under subparagraph (B)); divided by

"(ii)(I) the special allotments of all States for such fiscal year; minus

"(II) the aggregate of the amounts remitted to the Secretary for such fiscal year pursuant to subparagraph (A).

"(b) LEAD AGENCY.—

"(1) DESIGNATION.—The chief executive officer of a State desiring to participate in the program authorized under this section shall designate, in an application submitted to the Secretary under subsection (c), an appropriate State agency that carries out the responsibilities described in paragraph (2) to act as the lead agency.

"(2) RESPONSIBILITIES.—

"(A) ADMINISTRATION OF FUNDS.—The lead agency shall administer the funds made available to the State under the section to support programs and services authorized under the section.

"(B) COORDINATION.—The lead agency shall coordinate with State and local governments in developing the State plan required under subsection (c) to provide services under this section.

"(C) INTERAGENCY COORDINATION.—The lead agency shall establish procedures for assuring that appropriate State agencies work together to carry out the purposes of this section.

"(c) STATE PLAN REQUIREMENTS.—

"(1) APPLICATION.—To be eligible to receive funds under this section for a fiscal year, a State shall prepare and submit an application to the Secretary that shall be subject to the approval of the Secretary and that complies with the requirements of paragraph (3).

"(2) APPROVAL.—Not later than 90 days after the date of the submission of the State application under paragraph (1), the Secretary shall either approve or disapprove such application. If the Secretary disapproves the application, the Secretary shall provide the State with an explanation and recommendations for changes in the application to gain approval.

"(3) STATE PLAN REQUIREMENTS.—The application submitted under paragraph (1) shall contain a plan which—

"(A) identifies the lead agency in accordance with subsection (b);

"(B) describes the activities the State will carry out with funds provided under this section for the fiscal year;

"(C) provides assurances that the funds provided under this section will be used to supplement, not supplant, State and local funds as well as Federal funds provided under any Act and applied to child care activities in the State during fiscal year 1989;

"(D) provides assurances that the States will not expend more than 7 percent of the funds provided to the State

under this section for the fiscal year for administrative expenses;

“(E) provides assurances that the State will give priority to programs that serve low-income families and geographical areas;

“(F) ensures that child care providers reimbursed under this section meet applicable standards of State and local law;

“(G) provides assurances that the lead agency will coordinate the funds provided under this section with other Federal resources for child care provided under this Act, and with other Federal, State, or local child care and preschool programs operated within the State; and

“(H) provides for the establishment of fiscal and accounting procedures that may be necessary to—

“(i) ensure a proper accounting of Federal funds received by the State under this section; and

“(ii) ensure the proper verification of the reports submitted by the State under subsection (e)(2).

“(d) USE OF FUNDS.—

“(i) IN GENERAL.—Funds provided under this section shall be used to expand parent choices in selecting child care, to address deficiencies in the supply of child care, and to expand and improve child care services, with an emphasis on providing such services to low-income families and geographical areas. Subject to the approval of the Secretary, States receiving funds under this section shall use such funds to carry out child care programs and activities through grants to or contracts with public or private entities and through child care certificates given directly to families.

“(2) SPECIFIC USES.—Each State which receives funds under this section may expend such funds for—

“(A) child care services, including services for infants, sick children, children with special needs, and children of adolescent parents;

“(B) after-school and before-school programs and programs during nontraditional hours for the children of working parents;

“(C) programs for the recruitment and training of day care workers, including older Americans;

“(D) grant and loan programs to enable child care workers and providers to meet State and local standards and requirements;

“(E) child care information and referral services;

“(F) child care programs developed by public and private sector partnerships;

“(G) liability insurance pools to serve child care providers;

“(H) programs to promote and ensure the health and safety of children and caregivers, to improve the quality of all types of child care, and to train child care providers in health and safety practices;



"(I) State efforts to provide technical assistance designed to help providers improve the services offered to parents and children; and

"(J) other child care-related programs consistent with the purpose of this section and approved by the Secretary;

"(3) METHODS OF FUNDING.—Funds for child care services under this title shall be for the benefit of parents and shall be provided through contracts or grants with public or private providers or through child care certificates given directly to parents.

"(4) PARENTAL RIGHTS OF CHOICE.—Any parent who receives a child care certificate under this title may use such certificate with any child care provider, including those providers which have religious activities, if such provider is freely chosen by the parent from among the available alternatives.

"(5) CHILD CARE CERTIFICATES.—

"(A) IN GENERAL.—For purposes of this title, a child care certificate is a certificate issued by a State directly to a parent or legal guardian for use only as payment for child care services furnished by any provider eligible to receive funds under this Act.

"(B) EQUAL TREATMENT.—If the demand for child care assistance for families qualified to receive services from a State under this Act exceeds the fund available for such assistance, the State shall ration assistance to obtain such services using procedures that do not disadvantage parents using child care certificates, relative to other methods of financing, in either the waiting period or the pecuniary value of such services.

"(C) COMMENCEMENT OF CERTIFICATE PROGRAM.—

"(i) IN GENERAL.—Subject to clause (ii), beginning not later than 2 years after the date of the enactment of this section, each State that receives funds under this title shall offer a child care certificate program in accordance with this section.

"(ii) EXTENSION OF PERIOD.—The Secretary may delay the application of clause (i) to any State by extending the 2-year period described in clause (i) for not more than 1 additional year if the Secretary determines that the State is making a good faith effort to establish a child care certificate program.

"(D) AUTHORITY TO USE CHILD CARE FUNDS FOR CERTIFICATE PROGRAM.—Each State that receives funds under this title may use the funds provided to the State under this title which are required to be used for child care activities to plan and establish the State's child care certificate program.

"(6) OPTION OF RECEIVING A CHILD CARE CERTIFICATE.—Each parent or legal guardian who is to receive assistance pursuant to this title shall be provided with the option of enrolling his or her child with an eligible child care provider that receives funds through grants or contracts, or of receiving child care certificates provided under this title. Such parent shall have

the right to use such certificates to purchase child care services from an eligible provider of his or her choice.

"(7) RIGHTS OF RELIGIOUS CHILD CARE PROVIDERS.—Notwithstanding any other provision of law, a religious child care provider who receives funds under this title, is described in section 501(c)(3) of the Internal Revenue Code of 1986, and is exempt from taxation under section 501(a) of such Code may require adherence by employees to the religious tenets or teachings of such provider.

"(8) ELIGIBLE CHILD CARE PROVIDERS.—Any child care provider which meets applicable standards of State and local law for that type of care shall be eligible to receive funds or accept certificates under this title. As used in this paragraph, the term 'child care provider' shall include—

"(A) units of State and local governments, and elementary, secondary and post-secondary educational institutions;

"(B) nonprofit organizations under subsections (c) and (d) of section 501 of the Internal Revenue Code of 1986;

"(C) professional or employee associations;

"(D) consortia of small businesses; and

"(E) proprietary for-profit entities, relatives, informal day care centers, religious child care providers, day care centers, and any other entities that the State determines appropriate subject to approval of the Secretary.

"(9) PROHIBITED USES.—Any State which receives funds under this section may not use any of such funds—

"(A) to satisfy any State matching requirement imposed under any Federal grant;

"(B) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility; or

"(C) to provide any service which the State makes generally available to the residents of the State without cost to such residents and without regard to the income of such residents.

"(e) REPORTING REQUIREMENTS.—

"(1) NOTICE OF SECRETARY OF UNEXPENDED FUNDS.—Each State which has not completely expended the funds received by the State under this section for a fiscal year in such fiscal year or the succeeding fiscal year shall notify the Secretary of any amount not so expended.

"(2) STATE REPORTS ON USE OF FUNDS.—Not later than 18 months after the date of the enactment of this section, and each year thereafter, the State shall prepare and submit to the Secretary, in such form as the Secretary shall prescribe, a report describing the State's use of funds received under this section, including—

"(A) the number, type, and distribution of services and programs under this section;

"(B) the average cost of child care, by type of provider;

"(C) the number of children served under this section;

"(D) the average income and distribution of incomes of the families being served;



“(E) efforts undertaken by the State pursuant to this section to promote and ensure health and safety and improve quality; and

“(F) such other information as the Secretary considers appropriate.

“(3) **GUIDELINES FOR STATE REPORTS; COORDINATION WITH REPORTS UNDER SECTION 2006.**—Within 6 months after the date of the enactment of this section, the Secretary shall establish guidelines for State reports under paragraph (2). To the extent feasible, the Secretary shall coordinate such reporting requirement with the reports required under section 2006 and, as the Secretary deems appropriate, with other reporting requirements placed on States as a condition of receipt of other Federal funds which support child care.

“(4) **REPORTS BY THE SECRETARY.**—

“(A) **REPORTS TO THE CONGRESS OF SUMMARY OF STATE REPORTS.**—The Secretary shall annually summarize the information reported to the Secretary pursuant to paragraph (2) and provide such summary to the Congress.

“(B) **REPORTS TO THE STATES ON EFFECTIVE PRACTICES.**—The Secretary shall annually provide the States with a report on particularly effective practices and programs supported by funds received under this section, which ensure the health and safety of children in care, promote quality child care, and provide training to all types of providers.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect on October 1, 1990.

(c) **CONSTRUCTION.**—If the highest court of a State holds that any provision of subsection (d) of section 2007 of the Social Security Act or the application thereof to any person or circumstance is inconsistent with the constitution of that State, the remainder of such subsection and the application of such provision to other persons or circumstances shall not be affected thereby.

## TITLE IV—TAX CHANGES RELATING TO CHILD CARE

### SEC. 401. EXPANSION OF EARNED INCOME TAX CREDIT.

(a) **GENERAL RULE.**—Subsections (a) and (b) of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) are amended to read as follows:

“(a) **ALLOWANCE OF CREDIT.**—

“(1) **IN GENERAL.**—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the earned income for the taxable year as does not exceed \$5,714.

“(2) **LIMITATION.**—The amount of the credit allowable to a taxpayer under this subsection for any taxable year shall not exceed the excess (if any) of—

“(A) the credit percentage of \$5,714, over

“(B) the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds \$9,000.

“(b) PERCENTAGES.—

“(1) IN GENERAL.—For purposes of subsection (a)—

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child .....	17	12
2 qualifying children .....	21	15
3 or more qualifying children.....	25	18.

“(2) SUPPLEMENTAL YOUNG CHILD CREDIT.—In the case of a taxpayer with a qualifying child who has not attained age 6 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends—

“(A) the credit percentage shall be increased by 6 percentage points, and

“(B) the phaseout percentage shall be increased by 4.25 percentage points.

“(3) SUPPLEMENTAL INFANT CREDIT.—

“(A) IN GENERAL.—In the case of a taxpayer with a qualifying child who has not attained age 1 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends—

“(i) the credit percentage shall be increased by 6 percentage points (4 percentage points in the case of a taxable year beginning before January 1, 1994), and

“(ii) the phaseout percentage shall be increased by 4.25 percentage points (2½ percentage points in the case of a taxable year beginning before January 1, 1994).

The percentages under this paragraph shall be in addition to the percentages determined under paragraph (2) with respect to such child.

“(B) ELECTION BETWEEN DEPENDENT CARE CREDIT AND CREDIT FOR CHILD CLAIMED UNDER THIS PARAGRAPH.—If the taxpayer elects to take a child into account under this paragraph, such child shall be treated as not being a qualifying individual under section 21.”

(b) QUALIFYING CHILD DEFINED.—Subsection (c) of section 32 of such Code is amended by adding at the end thereof the following new paragraph:

“(3) QUALIFYING CHILD.—The term ‘qualifying child’ means any child (within the meaning of section 151(c)(3)) of the eligible individual if—

“(A) such individual is entitled to a deduction under section 151 for such child (or would be so entitled but for paragraph (2) or (4) of section 152(e)), and

“(B) such child has the same principal place of abode as such individual for more than one-half of the taxable year.”

(c) ADVANCE PAYMENT PROVISIONS.—

(1) PAYMENT BASED ON NUMBER OF QUALIFYING CHILDREN.—

(A) Subsection (b) of section 3507 of such Code is amended by striking “and” at the end of paragraph (2), by strik-

ing the period at the end of paragraph (3) and inserting “, and”, and by inserting after paragraph (3) the following new paragraph:

“(4) states the number of qualifying children (as defined in section 32(c)(3)) of the employee for the taxable year and whether any such child is described in paragraph (2) or (3) of section 32(b).”.

(B) Paragraph (2) of section 3507(c) of such Code is amended—

(i) by striking “14 percent” in subparagraphs (B)(i) and (C)(i) and inserting “the credit percentage”,

(ii) by striking “subsection (b)” in subparagraph (B)(ii) and inserting “subsection (a)(2)”, and

(iii) by adding at the end thereof the following new sentence:

“For purposes of this paragraph, the determination of the credit percentage under section 32(b), and the determination of the amounts referred to in subparagraph (B)(ii), shall be made on the basis of the information specified in the earned income eligibility certificate.”.

(C) Clause (i) of section 3507(e)(3)(A) of such Code is amended by inserting before “, or” the following: “(or changing the percentages applicable to the employee under section 32(b) for the taxable year)”.

(2) EXPANDED PARTICIPATION IN ADVANCE PAYMENT PROGRAM.—Subsection (e) of section 3507 of such Code (relating to furnishing and taking effect of certificates) is amended by adding at the end thereof the following new paragraph:

“(6) EMPLOYER REQUIRED TO COLLECT CERTIFICATE OR STATEMENT OF INELIGIBILITY, ETC.—On or before the date of commencement of employment with an employer, the employer shall require the employee to furnish to the employer a signed earned income eligibility certificate or a signed statement that such employee does not meet the requirements of paragraphs (1), (2), and (3) of subsection (b). As of the beginning of each calendar year, the employer shall require each employee with respect to whom an earned income eligibility certificate is in effect to determine whether there has been a change in circumstances requiring a new certificate or revocation of such certificate.”.

(3) REPEAL OF CALENDAR YEAR LIMITATION ON EFFECTIVENESS OF CERTIFICATE.—

(A) Subparagraphs (A) and (B) of section 3507(e)(1) of such Code are each amended by striking “had been in effect for the calendar year” and inserting “is in effect”.

(B) Paragraph (2) of section 3507(e) of such Code is amended—

(i) by striking “for any calendar year”, and

(ii) by striking “during such calendar year”.

(d) COORDINATION OF CREDIT WITH MEANS-TESTED PROGRAMS.—Section 32 of such Code is amended by adding at the end thereof the following new subsection:

“(j) COORDINATION OF CREDIT WITH MEANS-TESTED PROGRAMS.—



“(1) **FEDERAL MEANS-TESTED TRANSFER PAYMENTS TREATED AS SUPPORT PROVIDED BY TAXPAYER.**—Solely for purposes of determining whether any credit is allowable to an individual under this section (and the amount of credit so allowable), Federal means-tested payments shall be treated as support provided by such individual.

“(2) **CREDIT DISREGARDED IN DETERMINING BENEFITS UNDER OTHER MEANS-TESTED PROGRAMS.**—Any refund of tax by reason of this section, and any payment made by an employer under section 3507, shall not be taken into account as income or receipts for purposes of determining the eligibility (for the month in which such refund or payment is made or any month thereafter) of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds. The preceding sentence shall apply only if the individual (or the family unit of which the individual is a member) is a recipient of benefits or assistance under such a program for the month before the month in which such refund or payment is made.”

(e) **CONFORMING AMENDMENTS.**—

(1) Paragraph (2) of section 32(f) of such Code is amended—

(A) by striking “subsection (b)” each place it appears in subparagraphs (A) and (B) and inserting “subsection (a)(2)”, and

(B) by adding at the end thereof the following new sentence:

“Separate tables shall be prescribed for taxpayers with 1 qualifying child, 2 qualifying children, 3 or more qualifying children, any qualifying child who has not attained age 1, and any qualifying child who has not attained age 6.”

(2) Subparagraph (A) of section 32(i)(2) of such Code is amended by striking “or (ii)” in clause (i) and by striking “clause (iii)” in clause (ii) and inserting “clause (ii)”.

(3) Subparagraph (B) of section 32(i)(2) of such Code is amended by striking clauses (i), (ii), and (iii) and inserting the following:

“(i) the \$5,714 amounts contained in subsection (a), and

“(ii) the \$9,000 amount contained in subsection (a)(2)(B).”

(f) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

(g) **STUDY.**—The Secretary of the Treasury or his delegate shall conduct a study of the changes made by this section in section 3507 of the Internal Revenue Code of 1986 to determine whether such changes have resulted in an undue administrative or paperwork burden on taxpayers or the Internal Revenue Service. Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit to the Committee on Ways and Means of the House of Representatives a report of such study together with any recommendations such Secretary may have (including recommendations with respect to alternatives to such section 3507).

**SEC. 402. PHASEOUT OF DEPENDENT CARE CREDIT AND EXCLUSION FOR DEPENDENT CARE ASSISTANCE.**

(a) **DEPENDENT CARE CREDIT.**—Subsection (a) of section 21 of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new paragraph:

“(3) **PHASEOUT OF CREDIT FOR TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEEDS \$70,000.**—If the taxpayer’s adjusted gross income for the taxable year exceeds \$70,000, the applicable percentage shall be reduced (but not below zero) by 1 percentage point for each \$1,000 of such excess.”

(b) **EXCLUSION FOR DEPENDENT CARE ASSISTANCE.**—Paragraph (2) of section 129(a) of such Code is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting after subparagraph (A) the following new subparagraph:

“(B) **PHASEOUT OF EXCLUSION FOR TAXPAYERS WHOSE ADJUSTED GROSS INCOMES EXCEEDS \$70,000.**—

“(i) **IN GENERAL.**—If the taxpayer’s adjusted gross income for the taxable year exceeds \$70,000 (\$35,000 in the case of a separate return by a married individual), the applicable dollar amount in subparagraph (A) shall be reduced (but not below zero) by \$250 for each \$1,000 of such excess.

“(ii) **COORDINATION WITH OTHER PROVISIONS.**—For purposes of clause (i), adjusted gross income shall be determined without regard to this subparagraph and after the application of sections 86, 135, 219, and 469. This subparagraph shall not be taken into account in applying such sections.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

**TITLE V—CHILD CARE EARNINGS EXCLUDED FROM EXCESS EARNINGS TEST**

**SEC. 501. CHILD CARE EARNINGS EXCLUDED FROM WAGES AND SELF-EMPLOYMENT INCOME FOR EXCESS EARNINGS TEST.**

(a) **WAGES.**—Section 203(f)(5)(C) of the Social Security Act (42 U.S.C. 403(f)(5)(C)) is amended—

- (1) by striking out “or” at the end of clause (i),
- (2) by striking out the period at the end of clause (ii) and inserting in lieu thereof “, or”, and
- (3) by adding at the end thereof the following new clause:

“(iii) the amount of any payment made to an employee who has attained retirement age (as defined in section 216(l)) by an employer for child care services (including indirect services) performed by such employee after the month in which such employee initially becomes entitled to insurance benefits under this title.”

(b) **SELF-EMPLOYMENT INCOME.**—Section 203(f)(5)(D) of such Act (42 U.S.C. 403(f)(5)(D)) is amended—

- (1) by striking out “or” at the end of clause (i),
- (2) by adding “or” at the end of clause (ii),

(3) by inserting immediately after clause (ii) the following new clause:

“(iii) an individual who has attained retirement age (as defined in section 216(l)) who has become entitled to insurance benefits under this title, any income attributable to child care services (including indirect services) performed after the month in which such individual becomes entitled to such benefits,” and

(4) by striking out “royalties or other income” and inserting in lieu thereof “royalties or income”.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply to wages or income earned after the date of the enactment of this Act.

## TITLE VI—TELEPHONE EXCISE TAX MADE PERMANENT

### SEC. 601. TELEPHONE EXCISE TAX MADE PERMANENT.

(a) **GENERAL RULE.**—Paragraph (1) of section 4251(a) of the Internal Revenue Code of 1986 (relating to tax imposed) is amended by striking “the applicable percentage” and inserting “3 percent”.

(b) **CONFORMING AMENDMENT.**—Subsection (b) of section 4251 of such Code is amended to read as follows:

“(b) **COMMUNICATIONS SERVICES.**—The term ‘communications services’ means—

“(1) local telephone service,

“(2) toll telephone service, and

“(3) teletypewriter exchange service.”

### SEC. 602. ACCELERATION OF DEPOSIT REQUIREMENTS FOR TELEPHONE EXCISE TAX.

(a) **IN GENERAL.**—Subsection (e) of section 6302 of the Internal Revenue Code of 1986 (relating to mode or time of collection) is amended—

(1) by inserting “COMMUNICATIONS SERVICES AND” after “TAXES ON” in the heading and

(2) by inserting “section 4251 or” after “imposed by” in the text.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to payments of taxes considered collected for semi-monthly periods beginning after September 30, 1990.

2. THE AMENDMENTS EN BLOC OFFERED BY REPRESENTATIVE GEPHARDT OF MISSOURI, OR HIS DESIGNEE, CONSIDERED AS PENDING SIMULTANEOUSLY TO THE AMENDMENT OFFERED BY REPRESENTATIVE STENHOLM OF TEXAS AND TO THE AMENDMENT IN THE NATURE OF A SUBSTITUTE MADE IN ORDER AS ORIGINAL TEXT BY THIS RESOLUTION, DEBATABLE FOR 30 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

The amendment to the amendment in the nature of a substitute offered by Representative Stenholm.

In section 2007(d)(1) of the Social Security Act, as proposed to be added by the amendment made by section 301(a)(2) of the bill, strike “and” the 5th place such term appears and insert “or”.



In section 2007(d)(5) of the Social Security Act, as proposed to be added by the amendment made by section 301(a)(2) of the bill, amend subparagraph (C) to read as follows:

“(C) AUTHORITY TO OFFER CERTIFICATE PROGRAM.—Each State that receives funds under this title may offer a child care certificate program in accordance with this section.

In section 2007(d) of the Social Security Act, as proposed to be added by the amendment made by section 301(a)(2) of the bill, amend paragraph (6) to read as follows:

“(6) AUTHORITY OF STATE TO OFFER PARENTS OPTION TO SELECT FORM OF ASSISTANCE.—

“(A) IN GENERAL.—Each State may offer each parent or legal guardian who is to receive assistance pursuant to this title the option of enrolling his or her child with an eligible child care provider that receives funds through grants or contracts, or of receiving a child care certificate provided under this title.

“(B) EFFECT OF ELECTION TO RECEIVE ASSISTANCE IN THE FORM OF A CHILD CARE CERTIFICATE.—If a State offers an option described in subparagraph (A), each parent or legal guardian who elects to receive a child care certificate from the State shall have the right to use any such certificate provided by the State to the parent or legal guardian to purchase child care services from an eligible provider of his or her choice.

The amendment to the amendment in the nature of a substitute made in order as original text by this resolution.

Strike paragraph (5) of section 2012(a) of the Social Security Act, as proposed to be added by the amendment made by section 301(a)(2) of the bill, and redesignate paragraph (6) of such section 2012(a) as paragraph (5).

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3. THE AMENDMENTS EN BLOC OFFERED BY REPRESENTATIVE EDWARDS OF CALIFORNIA, OR HIS DESIGNEE, CONSIDERED AS PENDING SIMULTANEOUSLY TO THE AMENDMENT OFFERED BY REPRESENTATIVE STENHOLM OF TEXAS AND TO THE AMENDMENT IN THE NATURE OF A SUBSTITUTE MADE IN ORDER AS ORIGINAL TEXT BY THIS RESOLUTION, DEBATABLE FOR 40 MINUTES, TO BE EQUALLY DIVIDED AND CONTROLLED BY THE PROPONENT OF THE AMENDMENT AND A MEMBER OPPOSED THERETO

The amendment to the amendment in the nature of a substitute offered by Representative Stenholm.

In section 2007(d)(4) of the Social Security Act, as proposed to be added by the amendment made by section 301(a)(2) of the bill, strike “including those providers which have religious activities.”

In section 2007(d) of the Social Security Act, as proposed to be added by the amendment made by section 301(a)(2) of the bill, strike paragraph (7) and redesignate paragraphs (8) and (9) as paragraphs (7) and (8), respectively.

In section 301 of the bill, strike subsection (c).

At the end of title III of the bill, insert the following:

**SEC. 302. LIMITATIONS ON USE OF FINANCIAL ASSISTANCE FOR CERTAIN PURPOSES.**

(a) **SECTARIAN PURPOSES AND ACTIVITIES.**—No financial assistance provided under subtitle B of title XX of the Social Security Act shall be expended for any sectarian purpose or activity, including sectarian worship and instruction. Financial assistance provided under such subtitle shall not be expended in a manner inconsistent with the Constitution of the United States.

(b) **LIMITATION.**—Subsection (a) shall not apply with respect to funds received by an eligible family child care provider.

**SEC. 303. NONDISCRIMINATION.**

(a) **FEDERAL FINANCIAL ASSISTANCE.**—Any financial assistance provided under subtitle B of title XX of the Social Security Act shall constitute Federal financial assistance for purposes of title VI of the Civil Rights Act of 1964 (42 U.S.C. 794 et seq.), the Age of Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), and the regulations issued thereunder.

(b) **RELIGIOUS DISCRIMINATION.**—

(1) **IN GENERAL.**—Nothing in this section shall be construed to modify or affect the provisions of any other Federal law or regulation that relates to discrimination in employment on the basis of religion, except that a sectarian organization may require that employees adhere to rules forbidding the use of drugs or alcohol.

(2) **DISCRIMINATION AGAINST CHILD.**—A child care provider that receives assistance under subtitle B of title XX of the Social Security Act shall not discriminate against any child on the basis of religion in providing child care services.

(3) **EMPLOYMENT IN GENERAL.**—

(A) **PROHIBITION.**—A child care provider that receives assistance under this subtitle B of title XX of the Social Security Act shall not discriminate in employment on the basis of the religion of the prospective employee if such employee's primary responsibility is or will be working directly with children in the provision of child care services.

(B) **PRESENT EMPLOYEES.**—This paragraph shall not apply to employees of child care providers receiving assistance under this subtitle B of title XX of the Social Security Act if such employees are employed with the provider on the date of enactment of this Act.

(4) **SEVERABILITY.**—If any provision of this section or the application thereof to any individual or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this section which can be given effect without regard to the invalid provision or application, and to this end the provisions of this section shall be severable.

(c) **EFFECT ON STATE LAW.**—Nothing in this section of subtitle B of title XX of the Social Security Act shall be construed to supersede or modify any provision of a State constitution or State law that prohibits the expenditure of public funds in or by sectarian institutions.

The amendment to the amendment in the nature of a substitute made in order as original text by this resolution.

In section 2012(a) of the Social Security Act, as added by 301(a)(2) of the bill, strike paragraphs (2) and (3), and insert the following:

**"(2) LIMITATIONS ON USE OF FINANCIAL ASSISTANCE FOR CERTAIN PURPOSES.—**

**"(A) SECTARIAN PURPOSES AND ACTIVITIES.—**No financial assistance provided under this subtitle shall be expended for any sectarian purpose or activity, including sectarian worship and instruction. Financial assistance provided under this subtitle shall not be expended in a manner inconsistent with the Constitution of the United States.

**"(B) LIMITATION.—**Subparagraph (A) shall not apply with respect to funds received by an eligible family child care provider.

**"(3) NONDISCRIMINATION.—**

**"(A) FEDERAL FINANCIAL ASSISTANCE.—**Any financial assistance provided under this subtitle shall constitute Federal financial assistance for purposes of title VI of the Civil Rights Act of 1964 (42 U.S.C. 794 et seq.), the Age of Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), and the regulations issued thereunder.

**"(B) RELIGIOUS DISCRIMINATION.—**

**"(i) IN GENERAL.—**Nothing in this paragraph shall be construed to modify or affect the provisions of any other Federal law or regulation that relates to discrimination in employment on the basis of religion, except that a sectarian organization may require that employees adhere to rules forbidding the use of drugs or alcohol.

**"(ii) DISCRIMINATION AGAINST CHILD.—**A child care provider that receives assistance under this subtitle shall not discriminate against any child on the basis of religion in providing child care services.

**"(iii) EMPLOYMENT IN GENERAL.—**

**"(I) PROHIBITION.—**A child care provider that receives assistance under this subtitle shall not discriminate in employment on the basis of the religion of the prospective employee if such employee's primary responsibility is or will be working directly with children in the provision of child care services.

**"(II) PRESENT EMPLOYEES.—**This paragraph shall not apply to employees of child care providers receiving assistance under this subtitle if such employees are employed with the provider on the date of enactment of this Act.

**"(iv) SEVERABILITY.—**If any provision of this paragraph or the application thereof to any individual or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this paragraph which can be given effect without regard to the invalid provision or application, and to this end the provisions of this paragraph shall be severable.



“(C) EFFECT ON STATE LAW.—Nothing in this subtitle shall be construed to supersede or modify any provision of a State constitution or State law that prohibits the expenditure of public funds in or by sectarian institutions.”

















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